

Appendix A

The Corporation of the City of Victoria
Financial Statements
For the year ended December 31, 2018

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Financial Statements
For the year ended December 31, 2018

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Management's Responsibility for the Financial Statements

The accompanying financial statements of The Corporation of the City of Victoria (the "City") are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of Chartered Professional Accountants Canada. A summary of the significant accounting policies are described in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The City's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

Mayor and Council meet with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by BDO Canada LLP, independent external auditors appointed by the City. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the City's financial statements.

City Manager

Deputy City Manager/CFO

April XX, 2019

Independent Auditor's Report

To the Mayor and Councilors of The Corporation of the City of Victoria

Opinion

We have audited the financial statements of The Corporation of the City of Victoria, which comprise the Statement of Financial Position as at December 31, 2018, the Statements of Operations, Change in Net Financial Assets and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2018, and its results of operations, its changes in net financial assets, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Victoria, British Columbia

April XX, 2019

The Corporation of the City of Victoria
Statement of Financial Position

December 31 **2018** **2017**

Financial Assets

Cash and cash equivalents (Note 2)	\$ 104,955,258	\$ 110,003,479
Accounts receivable		
Property taxes	1,652,910	1,816,637
Other (Note 3)	31,117,781	31,000,807
Portfolio investments (Note 4)	171,000,025	137,900,025
Mortgage receivable (Note 5)	893,216	865,687
Other assets	56,774	1,798
Restricted cash (Note 18)	1,270,467	1,243,414
	310,946,431	282,831,847

Liabilities

Accounts payable and accrued liabilities (Note 6)	28,578,753	29,406,143
Deposits and prepayments	17,638,717	15,664,116
Deferred revenue (Note 7)	30,602,821	24,876,181
Long-term debt (Note 8)	69,272,953	73,250,606
Employee future benefit liability (Note 9)	17,896,700	17,688,187
	163,989,944	160,885,233

Net Financial Assets

146,956,487 **121,946,614**

Non-Financial Assets

Tangible capital assets (Note 10)	525,021,658	495,784,736
Inventory of supplies	1,147,765	1,045,591
Prepaid expenses and deposits	2,153,337	1,145,524
	528,322,760	497,975,851

\$ 675,279,247 **\$ 619,922,465**

Contractual obligations (Note 16)
Contingent liabilities (Note 18)

_____ Deputy City Manager/CFO _____ Mayor

The Corporation of the City of Victoria
Statement of Operations

For the year ended December 31	Financial Plan 2018 (Note 19)	2018	2017
Revenue			
Taxation (Note 12)	\$ 133,485,983	\$ 133,547,760	\$ 127,697,471
Net grants in lieu of taxes	6,186,400	6,249,533	6,328,534
Sale of goods and services	48,215,251	54,890,533	51,152,653
Sale of water	19,760,763	21,040,252	20,516,753
Licences and permits	4,509,840	5,273,383	4,417,980
Fines	3,255,000	3,767,054	3,399,598
Rentals and leases	1,480,817	1,536,055	1,489,176
Other penalties and interest	790,000	656,745	658,474
Investment income	2,700,000	5,418,758	3,493,023
Unconditional transfers (Note 13)	1,755,000	1,861,494	1,755,723
Conditional transfers (Note 13)	5,258,000	5,002,380	8,708,374
Actuarial adjustment on debt	-	912,982	781,729
Miscellaneous (Note 14)	10,095,133	14,114,047	8,337,747
	<u>237,492,187</u>	<u>254,270,976</u>	<u>238,737,235</u>
Expenses			
General government	21,247,635	18,096,703	16,868,104
Protective services	75,837,496	76,001,095	75,128,184
Transportation services	24,794,439	29,112,312	25,980,557
Environmental and public health services	8,122,039	7,835,510	7,614,739
Social services and housing	1,048,186	1,250,590	1,550,606
Planning and development	15,290,711	17,381,621	15,353,385
Parks, recreation and cultural services	30,493,687	30,273,382	28,937,509
Water utility	14,660,592	15,106,478	14,257,562
Sewer utility	3,890,415	3,856,503	3,561,492
	<u>195,385,200</u>	<u>198,914,194</u>	<u>189,252,138</u>
Annual Surplus	42,106,987	55,356,782	49,485,097
Accumulated Surplus, beginning of year	619,922,465	619,922,465	570,437,368
Accumulated Surplus, end of year	<u>\$ 662,029,452</u>	<u>\$ 675,279,247</u>	<u>\$ 619,922,465</u>

**The Corporation of the City of Victoria
Statement of Change in Net Financial Assets**

For the year ended December 31	Financial Plan 2018	2018	2017
	(Note 19)		
Annual Surplus	\$ 42,106,987	\$ 55,356,782	\$ 49,485,097
Net acquisition of tangible capital assets	(95,200,000)	(42,634,040)	(52,894,881)
Amortization of tangible capital assets	10,000,000	13,334,709	11,872,574
Gain on disposal of tangible capital assets	-	(8,651)	(112,225)
Proceeds on disposal of tangible capital assets	-	71,060	112,225
	(43,093,013)	29,236,921	8,462,790
Net consumption of inventory of supplies	-	(102,174)	(81,378)
Net acquisition (use) of prepaid expenses and deposits	-	(1,007,813)	34,051
Change in Net Financial Assets	(43,093,013)	25,009,873	8,415,463
Net Financial Assets, beginning of year	121,946,614	121,946,614	113,531,151
Net Financial Assets, end of year	\$ 78,853,601	\$ 146,956,487	\$ 121,946,614

The Corporation of the City of Victoria
Statement of Cash Flows

For the year ended December 31

2018

2017

Cash provided by (used in):

Operating Transactions

Annual surplus	\$ 55,356,782	\$ 49,485,097
Items not involving cash		
Amortization of tangible capital assets	13,334,709	11,872,574
Gain on disposal of tangible capital assets	(8,651)	(112,225)
Change in future employee benefits and other liability	208,513	637,064
Actuarial adjustment on debt	(912,982)	(781,729)
Changes in non-cash operating assets and liabilities		
Accounts receivable other	(116,974)	(3,035,800)
Property taxes receivable	163,727	862,924
Mortgage receivable	(27,529)	(26,680)
Other assets	(54,976)	466
Restricted cash	(27,053)	(118,426)
Accounts payable and accrued liabilities	(827,390)	2,330,293
Deposits and prepayments	1,974,601	2,057,026
Deferred revenue	5,726,640	5,539,233
Inventory of supplies	(102,174)	(81,378)
Prepaid expenses and deposits	(1,007,813)	34,051

73,679,430 68,662,490

Capital Transactions

Acquisition of tangible capital assets	(42,634,040)	(52,894,881)
Proceeds on disposal of tangible capital assets	71,060	112,225

(42,562,980) (52,782,656)

Investing Transactions

Net increase in portfolio investments	(33,100,000)	(1,000,000)
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Financing Transactions

Debt issued	-	9,600,000
Debt repayments	(3,064,671)	(2,691,090)

(3,064,671) 6,908,910

Increase (decrease) in Cash and Cash Equivalents

(5,048,221) 21,788,744

Cash and Cash Equivalents, beginning of year

110,003,479 88,214,735

Cash and Cash Equivalents, end of year

\$ 104,955,258 \$ 110,003,479

The Corporation of the City of Victoria

Notes to the Financial Statements

December 31, 2018

The Corporation of the City of Victoria (the “City”) is incorporated and operates under the provisions of the Local Government Act and the Community Charter of British Columbia. The City provides municipal services such as: protective services, transportation services, environmental and public health services, community planning, parks, recreation and community development, water utility, sewer utility and other general government operations.

The financial statements of The Corporation of the City of Victoria (the “City”) are prepared by management in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants Canada. Significant accounting policies adopted by the City are as follows:

1. Significant Accounting Policies

(a) Reporting Entity

The financial statements include a combination of all the assets, liabilities, accumulated surplus, revenues and expenses of all of the City’s activities and funds. Inter-departmental balances and organizational transactions have been eliminated.

The financial statements exclude trust assets that are administered for the benefit of external parties (Note 15).

(b) Basis of Accounting

The City follows the accrual method of accounting for revenues and expenses. Revenues are accounted for in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Government Transfers

Government transfers are recognized in the financial statements as revenues in the period the transfers are authorized and any eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the recipient government. Transfers received which meet the definition of a liability are included in deferred revenue and are recognized over the period that the liability is settled.

(d) Deferred Revenue

Certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred or the services are performed.

(e) Deposits and Prepayments

Receipts restricted by third parties for future services or repayment are deferred and reported as deposits and are refundable under certain circumstances. Deposits and prepayments are recognized as revenue when qualifying expenditures are incurred.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

1. Significant Accounting Policies (Continued)

(f) Taxation Revenue

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. Annual levies for non-optional municipal services and general administrative services are recorded as taxes for municipal services in the year they are levied. Taxes receivable are recognized net of an allowance for anticipated uncollectible amounts. Levies imposed by other taxing authorities are not included as taxes for municipal purposes.

Through the British Columbia Assessment's appeal process, taxes may be adjusted by way of supplementary roll adjustments. The effects of these adjustments on taxes are recognized at the time they are awarded.

(g) Investment Income

Investment income is reported as revenue in the period earned. When required by the funding agreement, investment income earned on deferred revenue is deferred and forms part of the deferred revenue balance.

(h) Cash and Cash Equivalents

Cash equivalents include short term highly liquid investments with a term to maturity of 90 days or less at acquisition. Cash equivalents also include investments in the Municipal Finance Authority of British Columbia ("MFA") Money Market Funds which are recorded at cost plus earnings reinvested in the funds.

(i) Long-Term Debt

Long-term debt is recorded net of related sinking fund balances and actuarial earnings.

(j) Employee Future Benefits

(i) The City and its employees make contributions to the GVLRA- CUPE Long Term Disability Trust and Municipal Pension Plan. As these are multi-employer pension plans, contributions are expensed as incurred.

(ii) Sick leave and other retirement benefits are also available to the City's employees. The costs of these benefits are actuarially determined based on years of service and best estimates of retirement ages and expected future salary and wage increases. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

1. Significant Accounting Policies (Continued)

(k) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The costs, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

	Useful life in years
Land improvements	15-50
Buildings	20-50
Furniture, equipment, technology and motor vehicles	5-25
Roads, bridges and highways	10-80
Water infrastructure	20-125
Sewer infrastructure	50-100
Drainage infrastructure	50-100

Tangible capital assets are written down when conditions indicate that they no longer contribute to the City's ability to provide goods and services, or when the value of future economic benefits associated with the asset are less than the book value of the asset. Assets under construction are not amortized until the asset is available for service. The City does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(ii) Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Natural Resources

Natural resources are not recognized as assets in the financial statements.

(iv) Works of Art and Cultural and Historic Assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

1. Significant Accounting Policies (Continued)

(k) Non-Financial Assets (Continued)

(v) Leased Tangible Capital Assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(vi) Inventories of Supplies

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

(vii) Tangible Capital Assets Disclosed at Nominal Values

Where an estimate of fair value could not be made upon adoption of accounting standard PSAS 3150 - Tangible Capital Assets, the tangible capital asset was recognized at a nominal value.

(l) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating useful lives of tangible capital assets, estimating provisions for accrued liabilities, estimates related to contaminated sites and in performing actuarial valuations of employee future benefits. Actual results could differ from these estimates.

(m) Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. Liabilities are recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all the following criteria are met:

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) the Authority is directly responsible or accepts responsibility;
- (iv) It is expected that future economic benefits will be given up; and
- (v) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site. No liability for contaminated sites exists as at December 31, 2017 or 2018.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

2. Cash and Cash Equivalents

	2018	2017
Cash	\$ 31,423,204	\$ 25,475,696
MFA Money Market Funds	73,532,054	69,527,783
Guaranteed investment certificate	-	15,000,000
	\$ 104,955,258	\$ 110,003,479

3. Accounts Receivable

	2018	2017
Sewer	\$ 3,850,910	\$ 3,468,768
Water	14,885,088	14,800,754
Grants	2,466,218	4,741,274
GST and carbon tax	455,020	772,560
Investment interest income	1,461,091	923,120
Parks, recreation and community development	2,571,827	2,304,463
Municipal tickets	1,585,811	1,411,054
Victoria police department	1,160,651	875,504
Rental properties	64,334	69,053
Permits	475,856	334,811
Garbage	532,044	505,837
Third party billing	544,892	406,507
Miscellaneous	2,099,374	1,182,507
Valuation allowance	(1,035,335)	(795,405)
	\$ 31,117,781	\$ 31,000,807

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

4. Portfolio Investments

	Yield	Maturity	2018	2017
Schedule 1 bank bonds	3.10%	December 17, 2019	\$ 9,000,000	\$ -
Term deposits	2.35% to 3.07%	December 24, 2019	<u>162,000,025</u>	<u>137,900,025</u>
			<u>\$ 171,000,025</u>	<u>\$ 137,900,025</u>

Portfolio investments are comprised of Canadian bank bonds and Guaranteed Investment Certificates of Canadian Banks and Credit Unions with yields of 2.35% to 3.07% (2017 - 1.88% to 2.25%), and maturity dates to December 24, 2019. The City's investments are carried at cost which approximates market values.

5. Mortgage Receivable

In 2011, the Federal Government of Canada entered into an agreement with the Capital Regional District to provide a financial contribution for new permanent, safe, transitional and supportive housing. Subsequently, the Capital Regional District entered into a sub project funding agreement in which \$1,200,000 was contributed to the City towards the purchase of two properties within the City. The agreement states that if the properties are not operated for their intended purpose or are sold and the proceeds of disposition are not applied to providing similar services then the City will be required to repay the contribution amount. The amount of the required repayment is dependent on the length of time that the intended purpose of the contribution is met and extends to March 31, 2026 at which point no further repayment is required.

In 2013, one of the properties was purchased by Provincial Rental Housing Corporation. In 2015, the remaining property was purchased by a not-for-profit housing society and a mortgage of \$1,300,000 was issued by the City. The mortgage bears no interest and is secured by the property. Payment is not due until the mortgage matures on September 15, 2029. The mortgage is guaranteed by BC Housing Management Commission, therefore if the not-for-profit organization defaults on the terms of the loan, BC Housing Management Commission assumes responsibility for the loan repayment. The balance represents the present value of the payment, using the City's estimated cost of borrowing.

Both purchases include transfer of the funding agreement repayment obligation applicable to each property.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

6. Accounts Payable and Accrued Liabilities

	2018	2017
Trade account payable and other liabilities	\$ 11,055,700	\$ 8,662,899
Capital projects	3,156,782	3,484,069
Payroll accounts payable	7,940,805	7,213,279
Contract holdbacks	717,393	6,192,934
School authorities	651,689	686,706
Capital Regional District	437,644	445,004
Capital Regional District sewer	2,374,072	1,378,996
Legal settlements	1,916,051	1,003,683
Recreation Integration Victoria	86,472	81,830
BC Transit	130,151	140,112
Regional Hospital District	92,429	96,469
BC Assessment Authority	19,565	20,162
	\$ 28,578,753	\$ 29,406,143

7. Deferred Revenue

	2018	2017
Building permit fees	\$ 7,182,343	\$ 5,612,043
Development cost charges	19,388,787	15,973,761
General operating deferred revenue	4,031,691	3,290,377
	\$ 30,602,821	\$ 24,876,181

Building permit fees

	2018	2017
Opening balance of building permit fees	\$ 5,612,043	\$ 3,958,073
Add: fees and contributions received	3,917,843	3,666,196
Less: revenue earned and/or fees refunded	(2,347,543)	(2,012,226)
	\$ 7,182,343	\$ 5,612,043

Development cost charges

	2018	2017
Opening balance of unspent funds	\$ 15,973,761	\$ 13,534,862
Add: development cost charges received during year	3,174,580	2,474,357
Add: interest earned	354,619	216,357
Less: amount spent on projects and recorded as revenue	(114,173)	(251,815)
	\$ 19,388,787	\$ 15,973,761

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

7. Deferred Revenue (Continued)

Development cost charges include the following:

	2018	2017
Water and environment	\$ 715,316	\$ 748,809
Transportation	7,844,455	6,614,537
Water	883,940	676,462
Drainage	522,365	393,136
Sewage	3,301,083	2,720,171
Parkland acquisition and development	6,121,628	4,820,646
	\$ 19,388,787	\$ 15,973,761

There are no waivers and/or reductions in development cost charges during 2018 or 2017.

8. Long-Term Debt

The City issues debt instruments through the Municipal Finance Authority ("MFA"), pursuant to security issuing bylaws under authority of the Local Government Act, to finance certain capital expenditures. Sinking fund balances, managed by the MFA, are used to reduce long-term debt. Interest rates on long-term debt range from 2.10% to 4.90%. The weighted average interest rate for 2018 was 2.91% (2017 - 3.03%).

(a) Gross amount of debt and the repayment and actuarial earnings to retire the debt are as follows:

	Rate	Gross debt	Repayment & actuarial earnings	Net debt 2018	Net debt 2017	Year of Maturity
Issue 79	2.10%	10,000,000	(3,341,759)	6,658,241	6,964,861	2033
Issue 80	2.40%	10,000,000	(3,287,481)	6,712,519	7,014,160	2033
Issue 81	2.40%	10,000,000	(3,052,111)	6,947,889	7,241,543	2034
Issue 102	2.25%	4,509,000	(3,046,901)	1,462,099	1,796,523	2022
Issue 103	4.65%	1,800,000	(1,109,083)	690,917	822,398	2023
Issue 105	4.90%	5,240,015	(2,833,472)	2,406,543	2,772,968	2024
Issue 110	4.50%	5,200,000	(2,462,893)	2,737,107	3,088,846	2025
Issue 115	3.89%	10,200,000	(2,727,336)	7,472,664	7,908,274	2031
Issue 130	3.00%	23,200,000	(3,336,686)	19,863,314	20,747,183	2034
Issue 139	2.10%	5,500,000	(418,485)	5,081,515	5,293,850	2036
Issue 142	3.15%	9,600,000	(359,855)	9,240,145	9,600,000	2037
		\$ 95,249,015	\$ (25,976,062)	\$ 69,272,953	\$ 73,250,606	

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

8. Long-Term Debt (Continued)

(b) Future aggregate payments of net outstanding debenture debt, including sinking fund payments, over the next five years and thereafter are as follows:

2019	\$ 4,091,598
2020	4,258,040
2021	4,431,404
2022	4,611,983
2023	4,394,540
Thereafter	<u>47,485,388</u>
Total	<u>\$ 69,272,953</u>

(c) Scheduled debt repayments may be suspended in the event of excess sinking fund earnings within the MFA. Principal paid during the year was \$3,064,671 (2017 - \$2,691,090). Interest paid during the year was \$2,769,203 (2017 - \$2,668,366).

9. Employee Future Benefit Liability

Information about liabilities for the City's employee obligation is as follows:

	<u>2018</u>	<u>2017</u>
Accrued benefit obligation		
Balance, beginning of year	\$ 18,270,101	\$ 18,093,001
Service cost	1,298,000	1,389,300
Interest cost	537,300	618,700
Benefits payments	(1,801,600)	(1,364,400)
Immediate recognition loss/(gain) for event driven liabilities	90,000	(167,700)
Actuarial gain (loss)	<u>(818,600)</u>	<u>(298,800)</u>
Accrued benefit obligation, end of year	17,575,201	18,270,101
Less unamortized net actuarial loss	(72,059)	(1,022,577)
Add pension over contributions due to staff	<u>393,558</u>	<u>440,663</u>
Accrued benefit liability, end of year	<u>\$ 17,896,700</u>	<u>\$ 17,688,187</u>

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

9. Employee Future Benefit Liability (Continued)

The accrued benefit obligation and the benefit costs for the year were estimated by actuarial valuation as of December 31, 2018 by an independent actuarial firm. Key estimates were used in the valuation including the following:

	2018	2017
Discount rates	3.30%	2.90%
Expected future inflation rates	2.25%	2.25%
Expected wage and salary increases	2.33% to 4.38%	2.33% to 4.38%
Estimated average remaining service life of employees	11 years	11 years

The accrued benefit liability includes both vested and non-vested amounts as follows:

	City	Police	2018	2017
Vested benefits	\$ 4,828,606	\$ 8,052,435	\$ 12,881,041	\$ 12,185,123
Non-vested benefits	4,015,957	999,702	5,015,659	5,503,064
Total accrued benefit liabilities	8,844,563	9,052,137	17,896,700	17,688,187
Charged to operating fund surplus in current and past years	(4,828,605)	(7,676,753)	(12,505,358)	(11,722,766)
Portion of benefits charged against reserves	\$ 4,015,958	\$ 1,375,384	\$ 5,391,342	\$ 5,965,421

Vested benefits include lump sum payments, death benefits, and certain sick leave and vacation in the year of retirement benefits. Vested benefits are contractually required to be paid to an employee regardless of their future employment. Non-vested benefits include long service leave, personal leave program and certain sick leave programs. Non-vested benefits are conditional upon future employment.

GVLRA - CUPE Long Term Disability Trust

The Trust was established January 1, 1987 as a result of negotiations between the Greater Victoria Labour Relations Association representing a number of employers and the Canadian Union of Public Employees representing a number of CUPE locals. The Trust's sole purpose is to provide a long term disability income benefit plan. The City and its employees each contribute equal amounts into the Trust. The total plan provision for approved and unreported claims was actuarially determined as of December 31, 2017. At December 31, 2017, the total plan provision for approved claim was \$15,844,900 and the provision for unreported claims was \$1,332,400 with an accumulated surplus of \$3,852,573. The total plan provision for approved and unreported claims and net surplus or deficit at December 31, 2018 will be available later in 2019.

The City paid \$561,314 (2017 - \$584,709) for employer contributions and City employees paid \$561,314 (2017 - \$584,709) for employee contributions to the Plan in fiscal 2018.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

9. Employee Future Benefit Liability (continued)

Municipal Pension Plan

The City of Victoria and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan) (the "Plan"). The Board of Trustees, representing Plan members and employers, is responsible for administering the Plan, including investment of assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2017, the Plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and adequacy of the funding. The actuary determines an appropriate combined employer and member contribution rate to fund the Plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the Plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as of December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged. The next valuation will be as at December 31, 2018, with results available later in 2019.

Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and costs to individual employers participating in the Plan.

The City of Victoria paid \$11,515,427 (2017 - \$11,428,849) for employer contributions and City of Victoria employees paid \$9,089,467 (2017 - \$8,964,286) for the Plan in fiscal 2018.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

10. Tangible Capital Assets

	Land & land improvements	Buildings	Furniture, equipment, technology, motor vehicles	Roads, bridges, highways	Water infrastructure	Sewer infrastructure	Drainage infrastructure	Assets under construction	2018 Total	2017 Total
Cost, beginning of year	\$ 138,382,972	\$ 112,096,953	\$ 75,414,390	\$ 109,137,764	\$ 68,644,720	\$ 24,210,056	\$ 23,725,459	\$ 115,308,436	\$ 666,920,750	\$ 615,114,599
Additions	77,121	2,563,244	4,655,474	113,357,520	4,282,795	3,879,337	1,354,116	17,375,364	147,544,971	58,388,705
Disposals/transfers	-	-	(572,204)	-	-	-	-	(104,910,930)	(105,483,134)	(6,582,554)
Cost, end of year	138,460,093	114,660,197	79,497,660	222,495,284	72,927,515	28,089,393	25,079,575	27,772,870	708,982,587	666,920,750
Accumulated amortization, beginning of year	364,846	45,824,855	51,390,274	53,990,355	10,156,679	6,039,089	3,369,917	-	171,136,015	160,352,170
Disposals	-	-	(509,795)	-	-	-	-	-	(509,795)	(1,088,730)
Amortization	102,513	2,939,857	5,390,730	3,709,876	645,169	299,735	246,829	-	13,334,709	11,872,574
Accumulated amortization, end of year	467,359	48,764,712	56,271,209	57,700,231	10,801,848	6,338,824	3,616,746	-	183,960,929	171,136,014
Net carrying amount, end of year	\$ 137,992,734	\$ 65,895,485	\$ 23,226,451	\$ 164,795,053	\$ 62,125,667	\$ 21,750,569	\$ 21,462,829	\$ 27,772,870	\$ 525,021,658	\$ 495,784,736

- a.) Work in Progress - Assets under construction having a value of \$27,772,870 (2017 - \$115,308,436) have not been amortized. Amortization of these assets will commence when the asset is put into service.
- b.) Contributed Assets - No contributed assets have been recognized in 2018 or 2017
- c.) Tangible Capital Assets Disclosed at Nominal Values - Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value.
- d.) Works of Art and Historical Treasures - The City manages and controls various works of art and non-operational historical cultural assets. These assets are not recorded as tangible capital assets are not amortized.
- e.) Write down of Tangible Capital Assets - No write down of tangible capital assets occurred during 2018 or 2017.
- f.) Leased Tangible Capital Assets - Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

11. Accumulated Surplus

Accumulated surplus consists of individual fund surplus and reserve funds as follows:

	2018	2017
Surplus		
Equity in tangible capital assets	<u>\$ 455,615,655</u>	<u>\$ 422,401,080</u>
Non-Statutory Reserve Accounts		
Development Stabilization Reserve Account	1,880,449	327,846
Reserves		
Operating Fund	4,544,049	4,026,427
Financial Stability Reserves	60,145,602	54,794,382
Equipment and Infrastructure Replacement Fund	146,796,907	131,429,908
Tax Sale Lands Fund	3,975,956	5,789,588
Parks and Greenways Acquisition Fund	2,886,917	2,724,295
Local Amenities	965,636	754,439
Victoria Housing Fund	2,230,915	1,950,332
Climate Action	794,445	850,691
Art in Public Places	467,467	596,335
Downtown Core Area Public Realm Improvements	216,180	153,451
Downtown Heritage Building Seismic Upgrades	150,411	89,112
Less:		
Underfunded employee benefit obligation (Note 9)	<u>(5,391,342)</u>	<u>(5,965,421)</u>
Total reserves	<u>219,663,592</u>	<u>197,521,385</u>
	<u>\$ 675,279,247</u>	<u>\$ 619,922,465</u>

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

12. Taxation

Taxation revenue, reported on the Statement of Operations is made up of the following:

	Financial Plan		
	2018	2018	2017
General taxation			
General municipal purposes	\$ 130,751,783	\$ 130,751,326	\$ 124,916,051
Utility 1% tax	1,329,000	1,329,555	1,300,830
Collections for other governments			
Capital Regional District	-	23,152,530	21,072,574
School Authorities	-	49,533,747	48,471,680
Regional Hospital District	-	7,792,266	7,681,732
Municipal Finance Authority	-	6,857	5,971
BC Assessment Authority	-	1,530,969	1,463,498
BC Transit	-	8,520,191	8,673,719
Business Improvement Association	-	1,066,050	1,035,314
Special assessments			
Boulevard frontage	535,200	535,042	538,235
Specified area improvement	81,000	138,852	150,370
Sewer frontage	789,000	792,985	791,985
Hotel tax			
Tourism Victoria	-	-	-
Victoria Conference Centre	-	-	-
	133,485,983	225,150,370	216,101,959
Less taxes levied for other authorities			
Capital Regional District	-	23,152,530	21,072,574
School Authorities	-	49,533,747	48,471,680
Regional Hospital District	-	7,792,266	7,681,732
Municipal Finance Authority	-	6,857	5,971
BC Assessment Authority	-	1,530,969	1,463,498
BC Transit	-	8,520,191	8,673,719
Business Improvement Association	-	1,066,050	1,035,314
	-	91,602,610	88,404,488
Net taxes available for municipal purposes	\$ 133,485,983	\$ 133,547,760	\$ 127,697,471

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

13. Government Transfers

The City recognizes the transfer of government funding as revenues in the period that the events giving rise to the transfer occurred. The Government transfers reported on the Statement of Operations are:

	Financial Plan		
	2018	2018	2017
Unconditional transfers			
Traffic fine revenue sharing	\$ 1,755,000	\$ 1,861,494	\$ 1,755,723
Conditional transfers			
Jail	34,000	28,947	38,884
Gas tax	3,591,000	3,590,746	3,474,900
Infrastructure grants:			
General capital	250,000	-	1,019,492
Johnson Street Bridge	1,383,000	1,382,687	3,550,355
Cost-sharing agreements:			
General capital	-	-	624,743
	<u>5,258,000</u>	<u>5,002,380</u>	<u>8,708,374</u>
	<u>\$ 7,013,000</u>	<u>\$ 6,863,874</u>	<u>\$ 10,464,097</u>

Traffic Fine Revenue Sharing program is an unconditional grant provided to municipalities to assist in ensuring community safety and addressing community specific strategic priorities. The program returns 100% of net revenues from traffic violations to municipalities that are directly responsible for paying for policing.

Gas Tax is provided by the Government of Canada. The use of the funding is established by a funding agreement between the City and the Union of British Columbia Municipalities. These funds may be used towards designated infrastructure projects that achieve positive environmental results.

Infrastructure grants related to the Johnson Street Bridge Replacement Project are restricted to eligible expenses as defined by the funding agreement established between the City, Union of British Columbia Municipalities and The Government of Canada's Building Canada Fund Program.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

14. Miscellaneous Revenue

	Financial Plan		
	2018	2018	2017
Third party billing, cost sharing and recoveries	\$ 6,208,010	\$ 8,853,770	\$ 3,658,808
Arena lease equivalent, share of naming rights and ticket surcharge	634,000	738,040	504,133
CREST levy	400,000	341,672	338,395
Rezoning applications	371,250	1,237,618	984,657
Dog licences and fines	210,000	384,722	355,476
Bus shelter advertising	150,000	171,765	188,264
Tax certificates	125,000	127,060	145,585
Bonus density	-	280,341	-
Traffic and sidewalk permits	138,250	126,487	118,203
Fortis franchise fee	574,000	573,805	542,359
Development cost charges	671,000	105,147	251,815
Other: administrative fees, lease fees, information sales and asset disposals	613,623	1,173,620	1,250,052
	<u>\$ 10,095,133</u>	<u>\$ 14,114,047</u>	<u>\$ 8,337,747</u>

Third party billing and CREST levy are offset by expenses therefore budget variance has no impact on the City's operating surplus. Ticket surcharge revenue from the arena is impacted by arena annual operational activity. Amounts for bonus density are not determinable in advance, and do not impact operating surplus as balances are transferred to reserves, therefore no budget amount is provided in the Financial Plan.

15. Trust Funds

Trust funds administered by the City have not been included in the Statement of Financial Position nor have their operations been included in the Statement of Operations .

	2018	2017
Ross Bay Cemetery	\$ 1,024,932	\$ 972,181
Nature Interpretation Centre	632,668	618,928
Bastion Square Revitalization	242,524	237,256
	<u>\$ 1,900,124</u>	<u>\$ 1,828,365</u>

The Ross Bay Cemetery Trust is a fund for the non-commercial Ross Bay Cemetery and is used for perpetual maintenance.

The Nature Interpretation Centre is a trust for the construction of a nature interpretation centre in Beacon Hill Park.

The Bastion Square Revitalization Trust is a trust received from the Bastion Square Association Society for the sole purpose of improving Bastion Square.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

16. Contractual obligations

In the normal course of business, the City enters into commitments for both capital and operational expenses. These commitments have been budgeted for within the appropriate annual budget and have been approved by Council.

17. Contractual rights

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The significant contractual rights that existed at December 31, 2018 are as follows:

Lease revenue

The City has entered into a number of fixed term lease agreements for the use of City owned land and/or buildings that are anticipated to provide the City with future revenues.

Developer contributions

The City has entered into a number of public works development agreements which require the developers to contribute various infrastructure assets to the City. The timing and extent of these future contributions vary depending on development activity and fair value of the assets received at time of contribution, which cannot be determined with certainty at this time.

18. Contingent Liabilities

The City is a defendant in various lawsuits. The City records an accrual in respect of legal claims that are likely to be successful and for which a liability amount is reasonably determinable. The remaining claims, should they be successful as a result of litigation, will be recorded when a liability is likely and determinable. Included in reserve funds is an insurance reserve of \$4,003,695 (2017 - \$3,916,744), maintained to offset settlements and insurance coverage is maintained to provide for insurable claims should they exceed the liability deductible of \$1,000,000 in any year. As of November 2008, the City joined the Municipal Insurance Association and all insurable claims from that date forward will be subject to a liability deductible of \$250,000 in any year.

Change orders for significant additional construction costs have been presented to the City by the contractor responsible for the construction of the Johnson Street Bridge. A smaller amount has been claimed to be owing by the City for additional fees by the designer of the Bridge. The City disputes that it owes any amount to either party. Litigation has been commenced by both parties and the City is represented by legal counsel. Any settlement is subject to approval by City Council.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

18. Contingent Liabilities (Continued)

Under borrowing arrangements with the Municipal Finance Authority, the City is required to lodge security by means of demand notes and interest bearing cash deposits based on the amount of the borrowing. As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA as a debt reserve fund. These deposits are included in the City's financial assets as restricted cash and are held by the MFA as security against the possibility of debt repayment default. If the debt is repaid without default, the deposits are refunded to the City. At December 31, 2018 the balance of the deposits was \$1,270,467 (2017 - \$1,243,414). At December 31, 2018 there were contingent demand notes of \$2,490,784 (2017 - \$2,490,784) which are not included in the financial statements of the City.

Capital Regional District debt, under provisions of the Local Government Act, is a direct, joint and several liability of the Capital Regional District and each member municipality within the Capital Regional District, including the City.

The City of Victoria and the District of Saanich established the Board of Cemetery Trustees of Greater Victoria (the "Board") in 1922 under the Municipal Cemeteries Act. The Board is a not-for profit organization that operates the Royal Oak Burial Park. The terms of the agreement provides the Board a borrowing limit of \$3 million with the City and the District of Saanich providing equal guarantee. At December 31, 2018 the Board had an outstanding demand loan of \$1,196,655 (2017 - \$1,819,791) with the Bank of Montreal and long-term debt of \$821,814 (2017 - \$884,041) through the Municipal Finance Authority. The City's guarantee portion of the outstanding debt at December 31, 2018 is \$1,009,235 (2017 - \$1,351,916).

The City is reviewing environmental objectives and potential liabilities for its activities and properties including potential site reclamation obligations. The amount of any such obligations is not presently determinable.

The City is a shareholder and member of Capital Regional Emergency Service Telecommunications (CREST) Incorporated, which provides centralized emergency communications and related public safety information services to municipalities, regional districts, the provincial and federal governments and their agencies, and emergency service organizations throughout the Greater Victoria region and the Gulf Islands. Members' obligations to share in funding ongoing operations and any additional costs relating to capital assets are to be contributed pursuant to a Members' Agreement.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

19. Financial Plan Data

The financial plan data presented in these financial statements is based upon the 2018 operating and capital financial plan approved by Council on April 26, 2018. The table below reconciles the approved financial plan to the financial plan figures reported in these financial statements.

	Financial plan bylaw	Financial statement budget
Revenues		
Taxation	\$ 139,672,383	\$ 139,672,383
User fees and other revenue	67,976,014	67,976,014
Other	29,843,790	29,843,790
	<u>237,492,187</u>	<u>237,492,187</u>
Expenses		
General government	19,782,037	21,247,635
Protective services	74,554,425	75,837,496
Transportation services	20,445,572	24,794,439
Environmental and public health services	7,722,993	8,122,039
Social services and housing	1,048,186	1,048,186
Planning and development	14,754,356	15,290,711
Parks, recreation and cultural services	29,235,230	30,493,687
Water utility	14,176,765	14,660,592
Sewer utility	3,665,636	3,890,415
Amortization	10,000,000	-
	<u>195,385,200</u>	<u>195,385,200</u>
	42,106,987	42,106,987
Less:		
Capital expenditures	(95,200,000)	-
Debt repayment	(3,064,671)	-
Add:		
Interfund transfers	56,157,684	-
	<u> </u>	<u> </u>
Annual surplus	<u>\$ -</u>	<u>\$ 42,106,987</u>

The Corporation of the City of Victoria Notes to the Financial Statements

December 31, 2018

20. Segmented Information

The City of Victoria is a diversified municipal organization that provides a wide range of services to its citizens. For management reporting purposes, the City's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. City services are provided by departments and their activities reported within these funds. Certain functions that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(i) General Government

The General Government operations provide the functions of Corporate Administration, Finance, Human Resources, Legislative Services and any other functions categorized as non-departmental.

(ii) Protective Services

Protective Services is comprised of four different functions, including the City's Emergency Management Agency, Fire, Police and the permits and inspections function of the Sustainable Planning and Community Development department. The Emergency Management Agency prepares the City to be more prepared and able to respond to, recover from, and be aware of, the devastating effects of a disaster or major catastrophic event that will impact the community. The Fire Department is responsible for providing critical, life saving services in preventing or minimizing the loss of life and property from fire and natural or man made emergencies. The Police Department ensures the safety of the lives and property of Victoria as well as Esquimalt citizens through the enforcement of municipal bylaws, criminal laws and the laws of British Columbia, the maintenance of law and order, and the prevention of crime. The Sustainable Planning and Community Development department has a broad range of policy, regulatory and program responsibilities including processing undertakings related to permits and inspections for Building Permits, Plumbing Permits, Electrical Permits, and signs.

(iii) Transportation Services

Transportation Services is responsible for a wide variety of transportation functions such as Parking, Engineering Operations and Streets. As well, providing services around infrastructure, traffic control, transportation planning, review of land development impacts on transportation, traffic management, pedestrian and cycling issues, on-street parking regulations, including street signs and painting as well as traffic signal timing.

(iv) Environmental and Public Health Services

The Environmental and Public Health Services is comprised of three sections in the areas of Solid Waste Services, Storm Drains, and Street Cleaning. The Solid Waste Collection and Recycling Operations section is responsible for the collection of household garbage. The Storm Drains section provides the design, inspection and technical supervision of civil engineering projects related to the construction and maintenance of the storm drain collection systems to protect public health. The Street cleaning section is responsible for the collection and disposal of litter and debris from streets, sidewalks and squares.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

20. Segmented Information (Continued)

(v) Social Services and Housing

Social Services and Housing includes grants to non-profit organizations for the purpose of facilitating social inclusion and community wellness, and to support affordable housing initiatives.

(vi) Parks, Recreation and Cultural Services

Parks is responsible for the maintenance, planning and development of all park facilities such as ornamental gardens, natural ecosystems, sport and entertainment venues and playgrounds for recreational and cultural enjoyment in a beautiful and safe environment; preserves and enhances green spaces on public lands. Recreation Services facilitates the provision of recreation and wellness programs and services through the Crystal Pool, Save-On Foods Memorial Arena, Royal Athletic Park, and Community and Seniors Centers. The Arts and Culture function supports community vibrancy and economic impact through tourism and visitor attraction.

(vii) Planning and Development

This segment is composed of four departments:

Sustainable Planning and Community Development: Supports quality development and economic health of the City. This function includes regulatory and program responsibilities including: community and city-wide land use planning; urban design; planning applications including zoning, development and variance permits, demographic and other planning information services.

Real Estate: Administers the City's portfolio of commercial properties; in particular, negotiating leases and lease renewals with tenants (lease-outs) and landlords (lease-ins).

Economic Development: This function is guided by six primary "engines" to drive Victoria's businesses, generate jobs, raise household incomes, and increase well-being. The six engines include: advance education and research and development; the ocean and marine sector; experimental tourism; government; technology; and entrepreneurship, start-ups and social enterprise.

Victoria Conference Centre: Responsible for strengthening the City's economy through the implementation of a vision and action plan for economic sustainability and growth in Victoria. Economic development in Victoria focuses on the prospects for the future as a city with high quality of life which supports the building of a vibrant, prosperous, fiscally sound and economically robust community.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

20. Segmented Information (Continued)

(viii) Water and Sewer Utilities

The Sewer Utility protects the environment and human health from the impacts of liquid wastes generated as a result of human occupation and development in the City. The Water Utility delivers clean, safe and aesthetically pleasing potable water, in accordance with the Provincial Drinking Water Protection Act, to the citizens of the City of Victoria and Township of Esquimalt. The water is for the purpose of domestic consumption and firefighting.

Certain allocation methodologies have been employed in the preparation of the segmented financial information. The General Fund reports on municipal services that are funded primarily by taxation such as property taxes and other tax revenues. Taxation and payments in lieu of taxes are apportioned to the General Fund services based on budgeted taxation revenue as presented in the 2018-2022 consolidated financial plan.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

The Corporation of the City of Victoria
Notes to the Financial Statements

For the year ended December 31, 2018

20. Segmented Information (Continued)

2018	General Fund							Water Fund	Sewer Fund	Total
	General Government	Protective Services	Transportation Services	Environmental and Public Health Services	Social Services and Housing	Parks Recreation and Cultural Services	Planning and Development	Water Utility	Sewer Utility	
Revenues										
Taxation	\$ 25,851,501	\$ 63,554,732	\$ 13,166,712	\$ 2,504,177	\$ 756,697	\$ 28,325,502	\$ 4,844,987	\$ -	\$ 792,985	\$139,797,293
Goods & services	39,587	8,982,645	15,040,559	8,964,781	-	2,373,612	11,429,033	21,609,781	7,490,787	75,930,785
Government transfers	-	1,890,441	3,162,772	1,810,661	-	-	-	-	-	6,863,874
Other	7,437,985	5,064,432	10,268,887	37,083	87,529	2,075,484	5,278,931	867,054	561,639	31,679,024
	<u>33,329,073</u>	<u>79,492,250</u>	<u>41,638,930</u>	<u>13,316,702</u>	<u>844,226</u>	<u>32,774,598</u>	<u>21,552,951</u>	<u>22,476,835</u>	<u>8,845,411</u>	<u>254,270,976</u>
Expenses										
Salaries & wages	10,430,000	65,693,042	14,087,336	4,722,293	84,722	13,802,468	6,142,292	3,589,786	2,534,742	121,086,681
Materials, supplies, & services	5,005,373	8,564,234	7,169,537	2,417,907	320,143	11,641,395	10,034,416	10,813,005	763,238	56,729,248
Interests, & Foreign Exchange	72,995	-	1,801,690	-	-	748,226	168,561	-	-	2,791,472
Grants	-	-	-	-	845,725	2,313,669	314,416	-	-	3,473,810
Other	632,401	-	-	-	-	-	-	-	-	632,401
Capital expenditure not meeting tangible capital asset criteria	1,600	32,880	254,662	163,194	-	89,508	6,723	58,518	258,788	865,873
Amortization	1,954,333	1,710,939	5,799,087	532,116	-	1,678,116	715,214	645,169	299,735	13,334,709
	<u>18,096,702</u>	<u>76,001,095</u>	<u>29,112,312</u>	<u>7,835,510</u>	<u>1,250,590</u>	<u>30,273,382</u>	<u>17,381,622</u>	<u>15,106,478</u>	<u>3,856,503</u>	<u>198,914,194</u>
Annual surplus	<u>\$ 15,232,371</u>	<u>\$ 3,491,155</u>	<u>\$ 12,526,618</u>	<u>\$ 5,481,192</u>	<u>\$ (406,364)</u>	<u>\$ 2,501,216</u>	<u>\$ 4,171,329</u>	<u>\$ 7,370,357</u>	<u>\$ 4,988,908</u>	<u>\$ 55,356,782</u>

The Corporation of the City of Victoria
Notes to the Financial Statements

For the year ended December 31, 2017

20. Segmented Information (Continued)

2017	General Fund							Water Fund	Sewer Fund	Total
	General Government	Protective Services	Transportation Services	Environmental and Public Health Services	Social Services and Housing	Parks Recreation Cultural Services	Planning and Development	Water Utility	Sewer Utility	
Revenues										
Taxation	\$ 24,610,419	\$ 61,848,820	\$ 10,676,307	\$ 2,389,623	\$ 1,593,061	\$ 27,223,195	\$ 4,892,595	\$ -	\$ 791,985	\$134,026,005
Goods & services	41,494	8,567,115	14,185,281	8,437,761	-	2,258,821	9,123,463	21,290,240	7,765,231	71,669,406
Government transfers	-	1,794,608	7,117,460	1,220,657	-	331,372	-	-	-	10,464,097
Other	5,746,429	4,400,195	5,319,295	47,778	-	1,498,809	4,396,100	719,181	449,940	22,577,727
	<u>30,398,342</u>	<u>76,610,738</u>	<u>37,298,343</u>	<u>12,095,819</u>	<u>1,593,061</u>	<u>31,312,197</u>	<u>18,412,158</u>	<u>22,009,421</u>	<u>9,007,156</u>	<u>238,737,235</u>
Expenses										
Salaries & wages	10,338,994	64,787,852	13,579,528	4,470,817	-	13,009,336	5,496,687	3,430,490	2,357,179	117,470,883
Materials, supplies, & services	4,681,704	8,508,105	6,125,816	2,359,011	53,106	11,082,294	8,478,953	10,210,006	798,938	52,297,933
Interests, & Foreign exchange	127,146	-	1,601,996	-	-	794,112	168,561	-	-	2,691,815
Grants	-	-	-	-	1,497,500	1,978,055	319,031	-	-	3,794,586
Other	(315,285)	-	-	-	-	27,059	-	-	-	(288,226)
Loss (gain) on disposition of capital assets	-	-	-	-	-	-	-	-	-	-
Capital expenditure not meeting tangible capital asset criteria	19,475	168,933	179,219	275,511	-	432,372	188,647	10,718	137,698	1,412,573
Amortization	2,016,070	1,663,294	4,493,998	509,400	-	1,614,281	701,506	606,348	267,677	11,872,574
	<u>16,868,104</u>	<u>75,128,184</u>	<u>25,980,557</u>	<u>7,614,739</u>	<u>1,550,606</u>	<u>28,937,509</u>	<u>15,353,385</u>	<u>14,257,562</u>	<u>3,561,492</u>	<u>189,252,138</u>
Annual surplus	<u>\$ 13,530,238</u>	<u>\$ 1,482,554</u>	<u>\$ 11,317,786</u>	<u>\$ 4,481,080</u>	<u>\$ 42,455</u>	<u>\$ 2,374,688</u>	<u>\$ 3,058,773</u>	<u>\$ 7,751,859</u>	<u>\$ 5,445,664</u>	<u>\$ 49,485,097</u>

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

21. Comparative Figures

Certain figures in the comparative information have been reclassified to conform with the current year presentation.